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Transmittal Letters



CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

26 June 1970

The Honorable John W. McCormack
Speaker of the House of Representatives
Washington, D. C. 20515

My dear Mr. Speaker:

This letter transmits for the consideration of the Congress a draft bill amending the Central Intelligence Agency Retirement Act of 1964 for Certain Employees.

The principal purpose of the proposed legislation is to improve the financing of the CIA retirement system by adopting the same funding procedures recently approved for the Civil Service and Foreign Service systems in P.L. 91-93 and P.L. 91-201. A number of other amendments which deal with technical changes, reemployment, and limitation on number of retirements are also included. The proposals are explained in detail in the sectional analysis and explanation which is attached.

We would appreciate early and favorable consideration of the proposed legislation. The Bureau of the Budget has advised that there is no objection to presenting the proposed legislation to the Congress from the standpoint of the Administration's program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard Helms".

Richard Helms
Director

Enclosure



CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

26 June 1970

The Honorable Spiro T. Agnew
President of the Senate
Washington, D. C. 20510

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SECRET

25 June 1970

MEMORANDUM FOR THE RECORD

SUBJECT : CIA Retirement and Disability System
Valuation as of 31 December 1968

1. I talked today [] request to obtain additional background concerning [] recent suggestion that he update the subject valuation to 30 June 1970 in a fashion generally analogous to the current Foreign Service Retirement System valuation. His proposal does not change the concept of the formal valuation having been prepared as of 31 December 1968 insofar as rates of resignation, death, retirement, etc. are concerned.

2. The principal purpose of updating would be to give full effect in the determination of unfunded liability to the impact of the two pay raises which were effective in calendar year 1969. In addition, [] also proposes giving effect to a better documented basis for the impact of the recent liberalization of benefits on normal costs (somewhat heavier than initially estimated). Inasmuch as increases in the amount of unfunded liability will have a direct bearing upon the amount of interest that would be paid to CIARDS at the close of FY 1971, if our proposed financing legislation should be enacted, it seems obvious that the updating should be accomplished. In this connection it is significant to note that [] anticipates that an "annual updating" will take place and be used as the basis for the interest funding computation. [] contemplates that the interest rate to be used for the purpose of these annual updates may also change to follow the rate used in the annual Social Security valuation.

3. Although [] has made a segregation of data in his Foreign Service Retirement System valuation between service credits earned under the Foreign Service system and those earned under the Civil Service system or as Military Service credits, he readily agreed that there was no compelling reason to make a similar segregation of data in the CIA study. In consideration of the fact therefore that it would entail a considerable amount of effort on our part to develop the data required for such a segregation and in consideration of the fact that no specific purpose would be served by the presentation of the report on this basis, it was determined that [] would update the CIA study without regard to such a segregation of data. Actually the segregation was developed for the Foreign Service study to focus attention on the fact that the higher normal cost of the Foreign Service system in relation to the Civil Service system was attributable to a significant extent to prior service credits under the

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**SUBJECT : CIA Retirement and Disability System
Valuation as of 31 December 1968**

Civil Service system. Although the CIARDS normal cost is generally comparable to the Foreign Service system cost for the same general reasons, this segregation of data serves no direct purpose in terms of estimating financing requirements.

4. Although not part of the conversation [] it is germane to note for the record that we should take positive steps to formalize the basis we will use to make an annual determination of the amounts paid to CIARDS annuitants or survivors because of military service credits. An estimate of such amounts will be required to provide a data base for the year-end funding computation which will be required in this respect, beginning at the end of FY 1971. [] has agreed to consider alternative ways and means to develop such data.

5. On the basis of the foregoing [] affirmation, I asked [] to confirm [] that we did wish to update and that he should provide [] with the necessary data for that purpose. I also asked that he let me know if we could be of any assistance in completing our side of this endeavor on a timely basis.

6. I have informed the Office of Legislative Counsel of the determination to update the subject study, inasmuch as our current request for legislative changes is being supported by summary schedules as of 31 December 1968. It is believed that the rationale for updating is sufficiently self-evident that there should be no difficulty in subsequently explaining if necessary the chronology of events.



Policy and Planning Staff



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